

**CORWITH-WESLEY COMMUNITY SCHOOL DISTRICT  
CORWITH, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**YEAR ENDED JUNE 30, 2004**

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Corwith-Wesley Community School District  
Corwith, Iowa

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2003 Election)</b>		
Douglas DeGroote	President	2005
Judy Grandgenett	Vice President	2005
Craig Larson	Board Member	2004
Keith Hauswirth	Board Member	2003
Leslie Ludwig	Board Member	2004
<b>Board of Education (After September 2003 Election)</b>		
Douglas DeGroote	President	2005
Judy Grandgenett	Vice President	2005
Keith Hauswirth	Board Member	2006
Leslie Ludwig	Board Member	(Resigned) 2004
Craig Larson	Board Member	(Appointed) 2004
John Rasmussen	Board Member	
<b>School Officials</b>		
Dale Johnson	Superintendent	2004
Sharon Hankins	District Secretary/Treasurer and Business Manager	2004
Ahlers & Cooney, P.C.	Attorney	Indefinite

## Independent Auditor's Report

To the Board of Education of  
Corwith-Wesley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Corwith-Wesley Community School District, Corwith, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 to the financial statements, management has not recorded certain capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. U.S. generally accepted accounting principles require that those assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the governmental activities of Corwith-Wesley Community School District, as of June 30, 2004, and the changes in financial position thereof and for the year ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities, each major fund, and the aggregate remaining fund information of Corwith-Wesley Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, Corwith-Wesley Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 26, 2004 on our consideration of Corwith-Wesley Community School District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 40 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Corwith-Wesley Community School District’s basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which is not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CORNWELL & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

August 26, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Corwith-Wesley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,122,840 in fiscal 2003 to \$2,168,315 in fiscal 2004, while General Fund expenditures increased from \$2,119,159 in fiscal 2003 to \$ 2,136,976 in fiscal 2004. The District's General Fund balance increased from \$32,949 in fiscal 2003 to \$64,288 in fiscal 2004, a 49% increase.
- The increase in General Fund revenues was attributable to an increase in property tax and state grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Corwith-Wesley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Corwith-Wesley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Corwith-Wesley Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency funds.
  - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004.

Figure A-3			
Condensed Statement of Net Assets			
(Expressed in Thousands)			
	Governmental Activities	Business type Activities	Total District
	June 30, 2004	June 30, 2004	June 30, 2004
Current and other assets	\$ 2,221	\$ 3	\$ 2,224
Capital assets	---	8	8
Total assets	2,221	11	2,232
Long-term liabilities	6	---	6
Other liabilities	1,953	20	1,973
Total liabilities	1,959	20	1,979
Net assets:			
Invested in capital assets, net of related debt	---	8	8
Restricted	118	---	118
Unrestricted	144	(17)	127
Total net assets	\$ 262	\$ (9)	\$ 253

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

<b>Figure A-4</b>			
<b>Changes in Net Assets</b>			
<b>(Expressed in Thousands)</b>			
	<u>Governmental</u>	<u>Business type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>District</u>
Revenues:			
Program revenues:			
Charges for service	\$ 200	33	233
Operating grants, contributions and restricted interest	277	37	314
Capital grants, contributions and restricted interest	---	---	---
General revenues:			
Property tax	978	---	978
Income surtax	168	---	168
Local option sales and service tax	59	---	59
Unrestricted state grants	767	---	767
Unrestricted investment earnings	4	---	4
Other	15	---	15
Total revenues	<u>\$ 2,468</u>	<u>70</u>	<u>2,538</u>
Program expenses:			
Governmental activities:			
Instruction	1,590	---	1,590
Support services	626	---	626
Non-instructional programs	---	81	81
Other expenses	96	---	96
Total expenses	<u>2,312</u>	<u>81</u>	<u>2,393</u>
Change in net assets	\$ 156	(11)	145

Property tax and unrestricted state grants account for 71% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 93% of the total expenses.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Corwith-Wesley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$175,958, above last year's ending fund balances of \$128,702.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. General Fund support services decreased as well.
- The General Fund balance increased from \$32,949 to \$64,288.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$2,882 in fiscal 2003 to \$9,530 in fiscal 2004. While revenues decreased by \$50,000 due to a grant received in fiscal year 2003 the District substantially reduced spending from the PPEL Fund in order to improve the financial condition of the fund.
- The Capital Projects Fund was established during fiscal 2004 due to the collection of local option sales tax dollars.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$2,614 at June 30, 2003 to (\$9,160) at June 30, 2004, representing a decrease of approximately 450%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Corwith-Wesley Community School District amended its annual budget one time to reflect additional revenue and expenditures.

The District's receipts were \$23,782 more than budgeted receipts, a variance of 1%.

Total expenditures were less than budgeted, due primarily to the District's amended budget for Capital Projects Fund. The District manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to claims paid in the Management Fund.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sharon Hankins, District Secretary/Treasurer and Business Manager, Corwith-Wesley Community School District, 408 S.E. Elm St., P.O. Box 220, Corwith, Iowa 50430.

## **Basic Financial Statements**

Corwith-Wesley Community School District  
Corwith, Iowa  
Statement of Net Assets  
June 30, 2004

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	\$ 808,822	-	808,822
Other	265,176	-	265,176
Receivables:			
Property tax:			
Delinquent	20,398	-	20,398
Succeeding year	962,000	-	962,000
Accounts	500	-	500
Accrued interest:			
ISCAP	1,829	-	1,829
Prepaid expenses	17,522	-	17,522
Due from other governments	144,816	-	144,816
Inventories	-	2,728	2,728
Capital assets, net of accumulated depreciation	-	8,206	8,206
<b>Total assets</b>	<u>2,221,063</u>	<u>10,934</u>	<u>2,231,997</u>
<b>Liabilities</b>			
Excess of warrants issued over bank balance	-	12,903	12,903
Accounts payable	2,279	-	2,279
Salaries and benefits payable	173,923	7,191	181,114
Deferred revenue - succeeding year property tax	962,000	-	962,000
ISCAP warrants payable	804,000	-	804,000
ISCAP accrued interest payable	10,903	-	10,903
Long-term liabilities:			
Portion due after one year:			
Compensated absences	6,192	-	6,192
<b>Total liabilities</b>	<u>1,959,297</u>	<u>20,094</u>	<u>1,979,391</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	-	8,206	8,206
Restricted for:			
Management levy	62,244	-	62,244
Physical plant and equipment levy	33,530	-	33,530
Other special revenue purposes	21,519	-	21,519
Unrestricted	144,473	(17,366)	127,107
<b>Total net assets</b>	<u>\$ 261,766</u>	<u>(9,160)</u>	<u>252,606</u>

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa  
Statement of Activities  
Year ended June 30, 2004

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b><u>Functions/Programs</u></b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 856,638	76,549	135,162	-
Special instruction	423,783	22,331	57,968	-
Other instruction	310,160	101,547	2,474	-
	<u>1,590,581</u>	<u>200,427</u>	<u>195,604</u>	<u>-</u>
Support services:				
Student services	37,428	-	-	-
Instructional staff services	38,226	-	2,600	-
Administration services	246,143	-	2,074	-
Operation and maintenance of plant services	218,423	136	-	-
Transportation services	85,848	-	-	-
	<u>626,068</u>	<u>136</u>	<u>4,674</u>	<u>-</u>
Non-instructional programs	<u>197</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	18,162	-	-	-
Long-term debt interest	896	-	-	-
AEA flowthrough	76,732	-	76,732	-
	<u>95,790</u>	<u>-</u>	<u>76,732</u>	<u>-</u>
Total governmental activities	2,312,636	200,563	277,010	-
Business type activities:				
Non-instructional programs:				
Food service operations	81,430	32,557	37,053	-
Total	<u>\$ 2,394,066</u>	<u>233,120</u>	<u>314,063</u>	<u>-</u>

**General Revenues:**

Property tax levied for:

    General purposes

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(644,927)	-	(644,927)
(343,484)	-	(343,484)
(206,139)	-	(206,139)
<u>(1,194,550)</u>	<u>-</u>	<u>(1,194,550)</u>
(37,428)	-	(37,428)
(35,626)	-	(35,626)
(244,069)	-	(244,069)
(218,287)	-	(218,287)
(85,848)	-	(85,848)
<u>(621,258)</u>	<u>-</u>	<u>(621,258)</u>
<u>(197)</u>	<u>-</u>	<u>(197)</u>
(18,162)	-	(18,162)
(896)	-	(896)
<u>-</u>	<u>-</u>	<u>-</u>
<u>(19,058)</u>	<u>-</u>	<u>(19,058)</u>
(1,835,063)	-	(1,835,063)
<u>-</u>	<u>(11,820)</u>	<u>(11,820)</u>
<u>(1,835,063)</u>	<u>(11,820)</u>	<u>(1,846,883)</u>
\$ 977,522	-	977,522
168,471	-	168,471
58,728	-	58,728
766,728	-	766,728
4,680	-	4,680
15,286	46	15,332
<u>1,991,415</u>	<u>46</u>	<u>1,991,461</u>
156,352	(11,774)	144,578
105,414	2,614	108,028
<u>\$ 261,766</u>	<u>(9,160)</u>	<u>252,606</u>

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2004

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	\$ 808,822	-	-	808,822
Other	167,965	30,019	67,192	265,176
Receivables:				
Property tax:				
Delinquent	19,297	-	1,101	20,398
Succeeding year	913,000	-	49,000	962,000
Accounts	500	-	-	500
Accrued interest:				
ISCAP	1,829	-	-	1,829
Prepaid expenses	17,522	-	-	17,522
Due from other governments	<u>131,458</u>	<u>13,358</u>	<u>-</u>	<u>144,816</u>
<b>Total assets</b>	<u><u>\$ 2,060,393</u></u>	<u><u>43,377</u></u>	<u><u>117,293</u></u>	<u><u>2,221,063</u></u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 2,279	-	-	2,279
Salaries and benefits payable	173,923	-	-	173,923
ISCAP warrants payable	804,000	-	-	804,000
ISCAP accrued interest payable	10,903	-	-	10,903
Deferred revenue:				
Succeeding year property tax	913,000	-	49,000	962,000
Other	<u>92,000</u>	<u>-</u>	<u>-</u>	<u>92,000</u>
Total liabilities	<u>1,996,105</u>	<u>-</u>	<u>49,000</u>	<u>2,045,105</u>
Fund balances:				
Reserved for Phase III	841	-	-	841
Reserved for prepaid expenses	17,522	-	-	17,522
Unreserved	<u>45,925</u>	<u>43,377</u>	<u>68,293</u>	<u>157,595</u>
Total fund balances	<u>64,288</u>	<u>43,377</u>	<u>68,293</u>	<u>175,958</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 2,060,393</u></u>	<u><u>43,377</u></u>	<u><u>117,293</u></u>	<u><u>2,221,063</u></u>

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (page 16)</b>	<b>\$ 175,958</b>
--	-------------------

*Amounts reported for governmental activities in the  
Statement of Net Assets are different because:*

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.

92,000

Long-term liabilities, such as compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.

(6,192)

**Net assets of governmental activities (page 13)**

**\$ 261,766**

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2004

Exhibit E

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 1,001,214	-	58,727	52,780	1,112,721
Tuition	94,033	-	-	-	94,033
Other	29,359	-	-	97,137	126,496
State sources	954,120	-	-	29	954,149
Federal sources	89,589	-	-	-	89,589
Total revenues	<u>2,168,315</u>	<u>-</u>	<u>58,727</u>	<u>149,946</u>	<u>2,376,988</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	856,161	-	-	-	856,161
Special instruction	423,783	-	-	-	423,783
Other instruction	219,081	-	-	91,079	310,160
	<u>1,499,025</u>	<u>-</u>	<u>-</u>	<u>91,079</u>	<u>1,590,104</u>
Support services:					
Student services	37,428	-	-	-	37,428
Instructional staff services	38,226	-	-	-	38,226
Administration services	201,343	-	-	44,800	246,143
Operation and maintenance of plant services	202,499	-	-	15,924	218,423
Transportation services	81,526	-	-	4,322	85,848
	<u>561,022</u>	<u>-</u>	<u>-</u>	<u>65,046</u>	<u>626,068</u>
Non-instructional programs	<u>197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197</u>
Other expenditures:					
Facilities acquisition	-	-	15,350	2,812	18,162
Long-term debt:					
Principal	-	17,573	-	-	17,573
Interest and fiscal charges	-	896	-	-	896
AEA flowthrough	<u>76,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,732</u>
	<u>76,732</u>	<u>18,469</u>	<u>15,350</u>	<u>2,812</u>	<u>113,363</u>
Total expenditures	<u>2,136,976</u>	<u>18,469</u>	<u>15,350</u>	<u>158,937</u>	<u>2,329,732</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,339</u>	<u>(18,469)</u>	<u>43,377</u>	<u>(8,991)</u>	<u>47,256</u>
Other financing sources (uses):					
Operating transfers in	-	18,469	-	-	18,469
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,469)</u>	<u>(18,469)</u>
Total other financing sources (uses)	<u>-</u>	<u>18,469</u>	<u>-</u>	<u>(18,469)</u>	<u>-</u>
Net change in fund balances	31,339	-	43,377	(27,460)	47,256
Fund balances beginning of year, as restated (note 10)	<u>32,949</u>	<u>-</u>	<u>-</u>	<u>95,753</u>	<u>128,702</u>
Fund balances end of year	<u>\$ 64,288</u>	<u>-</u>	<u>43,377</u>	<u>68,293</u>	<u>175,958</u>

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2004

<b>Net change in fund balances - total governmental funds (page 18)</b>	<b>\$ 47,256</b>
---	------------------

*Amounts reported for governmental activities in the  
Statement of Activities are different because:*

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.	92,000
--	--------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(477)
----------------------	-------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	<u>17,573</u>
--	---------------

<b>Change in net assets of governmental activities (page 15)</b>	<b><u>\$ 156,352</u></b>
--	--------------------------

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit G

Statement of Net Assets  
Proprietary Fund

June 30, 2004

School  
Nutrition

**Assets**

Inventories	\$ 2,728
Capital assets, net of accumulated depreciation	<u>8,206</u>
<b>Total assets</b>	<u>10,934</u>

**Liabilities**

Excess of warrants issued over bank balance	12,903
Salaries and benefits payable	<u>7,191</u>
<b>Total liabilities</b>	<u>20,094</u>

**Net Assets**

Invested in capital assets, net of related debt	8,206
Unrestricted	<u>(17,366)</u>
<b>Total net assets</b>	<u>\$ (9,160)</u>

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2004

School  
Nutrition

Operating revenues:

Local sources:

Charges for service \$ 32,557

Operating expenses:

Non-instructional programs:

Food service operations:

Salaries 28,787

Benefits 14,817

Purchased services 701

Supplies 36,038

Depreciation 1,087

Total operating expenses 81,430

Operating loss (48,873)

Non-operating revenues:

Local sources 46

State sources 991

Federal sources 36,062

Total non-operating revenues 37,099

Change in net assets (11,774)

Net assets beginning of year 2,614

Net assets end of year \$ (9,160)

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2004

School  
Nutrition

Cash flows from operating activities:

Cash received from sale of lunches and breakfasts	\$ 32,557
Cash paid to employees for services	(43,268)
Cash paid to suppliers for goods or services	<u>(26,819)</u>
Net cash used by operating activities	<u>(37,530)</u>

Cash flows from non-capital financing activities:

Other income received	46
State grants received	1,116
Federal grants received	<u>31,715</u>
Net cash provided by non-capital financing activities	<u>32,877</u>

Net decrease in cash and cash equivalents	(4,653)
Cash and cash equivalents beginning of year	<u>(8,250)</u>
Cash and cash equivalents end of year	<u>\$ (12,903)</u>

(continued)

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2004

School  
Nutrition

**Reconciliation of operating loss to net cash used by  
operating activities:**

Operating loss	\$ (48,873)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	7,713
Depreciation	1,087
Decrease in inventories	2,207
Increase in salaries and benefits payable	<u>336</u>
Net cash used by operating activities	<u>\$ (37,530)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received \$7,713 of federal commodities.

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit J

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2004

	<u>Agency</u>
<b>Assets</b>	
Cash	\$ <u>23</u>
<b>Total assets</b>	<u>23</u>
<b>Liabilities</b>	
Other payables	<u>23</u>
<b>Net assets</b>	<u><u>\$ -</u></u>

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2004

**(1) Summary of Significant Accounting Policies**

Corwith-Wesley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. An academic sharing agreement exists with LuVerne Community School District whereby grades six through eight attend the LuVerne Community School District. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Corwith, Wesley, and LuVerne, Iowa and the predominate agricultural territory in Hancock, Kossuth, and Wright counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Corwith-Wesley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Corwith-Wesley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hancock and Kossuth County Assessor's Conference boards.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2004

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2004

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2004

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2004

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Non-negotiable certificates of deposit are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2004

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2004

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the business type activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. Capital assets have not been recorded in the governmental activities column and accordingly, no depreciation expense on those assets has been recorded. U.S. generally accepted accounting principles require that those assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

<u>Asset Class</u>	<u>Amount</u>
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Furniture and equipment	12 Years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2004

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees do not accumulate earned but unused vacation. District employees accumulate a limited amount of earned but unused sick leave benefits. A liability for earned but unused sick leave is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2004

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the support services functional area exceeded the amounts budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at or during the year ended June 30, 2004 and deposited its excess cash in certificates of deposit and savings.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Physical Plant and Equipment Levy	\$ 18,469
		=====

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2004

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1-30-04	1-28-05	\$ 336,275	1,829	334,000	4,384
2004-05A	6-30-04	6-30-05	<u>472,547</u>	---	<u>470,000</u>	<u>6,519</u>
Total			\$ 808,822	1,829	804,000	10,903

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2004

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ ---	100,000	100,000	---

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	1.0501%
2003-04B	2.000%	1.3100%
2004-05A	3.000%	2.4630%

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 13,045	---	---	13,045
Less accumulated depreciation	3,752	1,087	---	4,839
Business type activities capital assets, net	\$ 9,293	1,087	---	8,206

Depreciation expense was charged to the following functions:

Business type activities:	
Food service operations	\$ 1,087

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2004

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Lease purchase agreement	\$ 17,573	---	17,573	---	---
Compensated absences	5,715	477	---	6,192	---
Total	\$ 23,288	477	17,573	6,192	---

Lease-Purchase Agreement

The Corwith-Wesley Community School District entered into a lease-purchase agreement with Blue Bird Capital Corporation on July 20, 2001 for the purpose of financing the purchase of a school bus. The amount financed was \$52,142 for thirty-six months at an interest rate of 5.1%. Payments were due annually in the amount of \$18,469.

During the year ended June 30, 2004, the District made the final payment totaling \$18,469 which was \$896 in interest and \$17,573 in principal.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2004

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll for the years ended June 30, 2004, 2003, and 2002. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$58,009, \$60,623, and \$61,414 respectively, equal to the required contributions for each year.

**(8) Risk Management**

Corwith-Wesley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$76,732 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Accounting Change and Restatements**

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2004

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District’s programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include long-term liabilities and the change in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund				Total
	General	Debt Service	Capital Projects	Nonmajor Special Revenue	
Net assets June 30, 2003, as previously reported	\$ 32,949	---	---	95,753	128,702
GASB Interpretation 6 adjustments	---	---	---	---	---
Net assets July 1, 2003 as restated for governmental funds	\$ 32,949	---	---	95,753	128,702
<hr/>					
GASB 34 adjustments:					
Long-term liabilities:					
Lease purchase agreement					(17,573)
Compensated absences					<u>(5,715)</u>
Net assets July 1, 2003, as restated					<u>\$ 105,414</u>

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2004

**(11) Operating Lease**

The District entered into an operating lease with Advanced Systems, Inc. for the rental of three Toshiba copiers on September 14, 2001 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2004 was \$4,248. Future rentals are scheduled as follows:

<u>Year Ending June 30,</u>	
2005	\$ 4,248
2006	4,248
2007	<u>708</u>
Total	<u>\$ 9,204</u> =====

**(12) Deficit Balance**

School Nutrition Proprietary Fund had a deficit balance at June 30, 2004. The deficit will be eliminated by the Board authorizing a transfer from the General Fund in the next fiscal year.

## **Required Supplementary Information**

Corwith-Wesley Community School District  
Corwith, Iowa

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Receipts:		
Local sources	\$ 1,311,585	32,603
State sources	954,149	1,116
Federal sources	<u>111,422</u>	<u>31,715</u>
Total receipts	<u>2,377,156</u>	<u>65,434</u>
Disbursements:		
Instruction	1,643,849	-
Support services	626,836	-
Non-instructional programs	197	70,087
Other expenditures	<u>113,364</u>	<u>-</u>
Total disbursements	<u>2,384,246</u>	<u>70,087</u>
Deficiency of receipts under disbursements	(7,090)	(4,653)
Other financing sources, net	<u>-</u>	<u>-</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	(7,090)	(4,653)
Balances beginning of year	<u>272,266</u>	<u>(8,250)</u>
Balances end of year	<u>\$ 265,176</u>	<u>(12,903)</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
1,344,188	1,346,353	1,346,353	(2,165)
955,265	958,761	958,761	(3,496)
143,137	113,694	113,694	29,443
<u>2,442,590</u>	<u>2,418,808</u>	<u>2,418,808</u>	<u>23,782</u>

1,643,849	1,651,606	1,651,606	7,757
626,836	615,033	615,033	(11,803)
70,284	72,569	75,508	5,224
113,364	82,245	141,477	28,113
<u>2,454,333</u>	<u>2,421,453</u>	<u>2,483,624</u>	<u>29,291</u>

(11,743)	(2,645)	(64,816)	53,073
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(11,743)	(2,645)	(64,816)	53,073
<u>264,016</u>	<u>325,963</u>	<u>325,963</u>	<u>(61,947)</u>
<u>252,273</u>	<u>323,318</u>	<u>261,147</u>	<u>(8,874)</u>

Corwith-Wesley Community School District  
Corwith-Wesley, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash <u>Basis</u>	Accrual Adjust- <u>ments</u>	Modified Accrual <u>Basis</u>
Revenues	\$ 2,377,156	(168)	2,376,988
Expenditures	<u>2,384,246</u>	<u>(54,514)</u>	<u>2,329,732</u>
Net	(7,090)	54,346	47,256
Other financing sources, net	-	-	-
Beginning fund balances	<u>272,266</u>	<u>(143,564)</u>	<u>128,702</u>
Ending fund balances	<u>\$ 265,176</u>	<u>(89,218)</u>	<u>175,958</u>

  

	Proprietary Funds		
	Enterprise		
	Cash <u>Basis</u>	Accrual Adjust- <u>ments</u>	Accrual <u>Basis</u>
Revenues	\$ 65,434	4,222	69,656
Expenses	<u>70,087</u>	<u>11,343</u>	<u>81,430</u>
Net	(4,653)	(7,121)	(11,774)
Beginning net assets	<u>(8,250)</u>	<u>10,864</u>	<u>2,614</u>
Ending net assets	<u>\$ (12,903)</u>	<u>3,743</u>	<u>(9,160)</u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$62,171.

During the year ended June 30, 2004, disbursements in the support services function exceeded the amounts budgeted.

## **Other Supplementary Information**

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 1

Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2004

	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 36,725	21,519	8,948	67,192
Receivables:				
Property tax:				
Delinquent	519	-	582	1,101
Succeeding year	<u>25,000</u>	<u>-</u>	<u>24,000</u>	<u>49,000</u>
<b>Total assets</b>	<u><u>\$ 62,244</u></u>	<u><u>21,519</u></u>	<u><u>33,530</u></u>	<u><u>117,293</u></u>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	<u>\$ 25,000</u>	<u>-</u>	<u>24,000</u>	<u>49,000</u>
Total liabilities	25,000	-	24,000	49,000
Fund equity:				
Unreserved fund balances	<u>37,244</u>	<u>21,519</u>	<u>9,530</u>	<u>68,293</u>
<b>Total liabilities and fund equity</b>	<u><u>\$ 62,244</u></u>	<u><u>21,519</u></u>	<u><u>33,530</u></u>	<u><u>117,293</u></u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds

Year ended June 30, 2004

	Manage- ment <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 24,866	-	27,914	52,780
Other	198	96,939	-	97,137
State sources	14	-	15	29
Total revenues	<u>25,078</u>	<u>96,939</u>	<u>27,929</u>	<u>149,946</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	91,079	-	91,079
Support services:				
Administration services	44,800	-	-	44,800
Operation and maintenance of plant services	15,924	-	-	15,924
Transportation services	4,322	-	-	4,322
Other expenditures:				
Facilities acquisition	-	-	2,812	2,812
Total expenditures	<u>65,046</u>	<u>91,079</u>	<u>2,812</u>	<u>158,937</u>
Excess (deficiency) of revenues over (under) expenditures	(39,968)	5,860	25,117	(8,991)
Other financing uses:				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(18,469)</u>	<u>(18,469)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(39,968)	5,860	6,648	(27,460)
Fund balances beginning of year, as restated	<u>77,212</u>	<u>15,659</u>	<u>2,882</u>	<u>95,753</u>
Fund balances end of year	<u>\$ 37,244</u>	<u>21,519</u>	<u>9,530</u>	<u>68,293</u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Art	\$ 49	200	-	249
Athletics	(372)	857	520	(35)
Baseball	(3,348)	6,619	4,920	(1,649)
Book Club	433	1,941	1,930	444
Boys Basketball	2,617	3,482	2,590	3,509
Boys Golf	(467)	708	409	(168)
Boys Track	564	2,016	1,994	586
Cheerleaders	(270)	6,718	7,605	(1,157)
Class of 1998	(47)	47	-	-
Class of 1999	89	-	89	-
Class of 2001	637	-	637	-
Class of 2002	344	-	344	-
Class of 2003	338	220	558	-
Class of 2004	2,197	3,591	5,071	717
Class of 2005	2,728	3,308	3,209	2,827
Class of 2006	1,783	1,652	168	3,267
Class of 2007	-	2,420	262	2,158
Clubs and Organizations	-	400	332	68
Cross Country	(706)	1,464	1,031	(273)
Danz Squad	784	8,509	10,185	(892)
Drama	601	1,594	1,813	382
FFA	1,415	5,005	4,272	2,148
Football	4,902	4,612	7,559	1,955
Girls Basketball	3,816	2,907	3,237	3,486
Girls Gold	(445)	533	652	(564)
Girls Track	(1,064)	4,427	1,896	1,467
Instrumental - High School and Elementary	(3,615)	5,597	2,114	(132)
Interest	1,072	178	-	1,250

(continued)

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Leadership	63	284	425	(78)
Letterman	60	-	-	60
National Honor Society	7	1,867	482	1,392
Newspaper	110	250	-	360
Pop Machines	341	927	715	553
Shop	1,434	-	-	1,434
Softball	(2,085)	7,350	6,573	(1,308)
Speech	(76)	250	107	67
Student Council	13	5,920	7,088	(1,155)
Student Trip Account	2,201	7,595	9,599	197
Vocal	(476)	619	223	(80)
Volleyball	104	2,772	2,225	651
Weightlifting	(72)	100	245	(217)
Total	<u>\$ 15,659</u>	<u>96,939</u>	<u>91,079</u>	<u>21,519</u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 4

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Fund

Year ended June 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 23	-	-	23
<b>Total assets</b>	<u>\$ 23</u>	<u>-</u>	<u>-</u>	<u>23</u>
<b>Liabilities</b>				
Other payable	\$ 23	-	-	23
<b>Total liabilities</b>	<u>\$ 23</u>	<u>-</u>	<u>-</u>	<u>23</u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 5

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Two Years

	Modified Accrual Basis	
	<u>2004</u>	<u>2003</u>
Revenues:		
Local sources:		
Local tax	\$ 1,112,721	1,027,811
Tuition	94,033	79,961
Other	126,496	111,652
State sources	954,149	919,570
Federal sources	89,589	161,545
Total	<u>\$ 2,376,988</u>	<u>2,300,539</u>
Expenditures:		
Instruction:		
Regular instruction	\$ 856,161	789,158
Special instruction	423,783	414,019
Other instruction	310,160	296,146
Support services:		
Student services	37,428	40,349
Instructional staff services	38,226	77,749
Administration services	246,143	240,006
Operation and maintenance of plant services	218,423	227,795
Transportation services	85,848	76,659
Non-instructional programs	197	731
Other expenditures:		
Facilities acquisition	18,162	71,746
Long-term debt:		
Principal	17,573	-
Interest and other charges	896	-
AEA flowthrough	76,732	76,541
Total	<u>\$ 2,329,732</u>	<u>2,310,899</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Board of Education of  
Corwith-Wesley Community School District:

We have audited the financial statements of Corwith-Wesley Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 26, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our report on the governmental funds was adverse as capital assets and depreciation expense had not been recorded in accordance with U.S. generally accepted accounting principles.

Compliance

As part of obtaining reasonable assurance about whether Corwith-Wesley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items II-B-04, II-H-04, II-J-04 and II-K-04.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Corwith-Wesley Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Corwith-Wesley Community School District and other parties to whom Corwith-Wesley Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Corwith-Wesley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CORNWELL & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

August 26, 2004

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2004

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**REPORTABLE CONDITIONS:**

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We are doing everything we can within our situation and make improvements as the situation changes.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-04 Disbursement Approval – On one transaction tested, there was no evidence of Board approval. For two transactions, there was insufficient documentation to determine the date the Board President approved routine expenditures for advance payment in accordance with the District's policy. The transactions where disbursement approval was lacking were the manual checks written and usually out of the Student Activities Fund.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2004

Recommendation – The District should ensure that all expenditures are properly approved. For payments made in advance of Board meetings, the District should maintain documentation of the Board President’s approval of claims for payment, such as the President’s initials and date of approval. The District should also review the list of bills presented to the Board at regular meetings to ensure that all claims are included including the student activity bills.

Response – We will ensure all expenditures are properly approved and maintain documentation of the approval of disbursements made in advance of Board approval by having the Board President or Administrator initial and date the claims.

Conclusion – Response accepted.

**Part II: Other Findings Related to Statutory Reporting:**

II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amount approved was not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004 exceeded the amended certified budget amounts in the support services functional area.

Recommendation – The certified budget should have been amended in sufficient amounts in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to insure the certified budget is not exceeded.

Conclusion – Response accepted.

II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2004

- II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes – As previously noted one transaction requiring Board approval had not been approved by the Board and some transactions had insufficient documentation to show they had been approved for payment. These same transactions did not get published with the minutes as required by Chapter 279.35 of the Code of Iowa. We also noted that the minutes did not always get published within 15 days as required by the Code.

Recommendation – All expenditures should be approved by the Board, with sufficient documentation maintained to evidence proper approval. The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – All expenditures will be approved by the Board prior to payment and procedures have been revised to ensure this is adequately documented. Procedures have been revised to ensure the minutes are published as required.

Conclusion – Response accepted.

- II-H-04 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2004 was understated. The District's certified enrollment count did not include 2 students in line 1 which should have been. This resulted in understating the total actual enrollment at line 7 by 2 students.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2004

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education a few days late but we noted no significant deficiencies in the amounts reported.

Recommendation – The District should file the Certified Annual Report by September 15 of each year.

Response – We will do this.

Conclusion – Response accepted.

II-K-04 Financial Condition – Several activity accounts and the School Nutrition Fund had deficit balances at June 30, 2004.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate these deficits.

Conclusion – Response accepted.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2004

II-L-04      Property and Equipment – The District did not record and account for the governmental activities capital assets in the Statement of Net Assets because the amounts were unknown.

Recommendation – The District should record property and equipment for the governmental activities in the Statement of Net Assets so the financial statements are in accordance with U.S. generally accepted accounting principles.

Response – We should have this ready during the next fiscal year.

Conclusion – Response accepted.

II-M-04      Travel Allowance – The method of payment for travel allowances does not allow for the withholding of any taxes.

Recommendation – The District should insure that payments for travel allowances be treated as compensation and accordingly, withhold the appropriate taxes as required by the Internal Revenue Service and the Iowa Department of Revenue and Finance.

Response – We will take the necessary steps to correct this situation.

Conclusion – Response accepted.